

Domestic Employers and the taxation of Domestic Employees

Part 42-4-33

Reviewed June 2017

1. Introduction

1.1 Under Section 986(6), certain qualifying employers known as 'domestic employers' are removed from the obligation to register as an employer.

1.2 The main aim of section 986(6) is to reduce the administrative burden for an individual who employs someone on domestic duties for a few hours a week and who, but for this provision, would have to register as an employer for PAYE purposes.

An individual who is required to register as an employer in respect of non-domestic employees is entitled to avail of this scheme in relation to a "domestic employee".

2. Details of the Domestic Employment Scheme

2.1 The effect of the scheme is that qualifying domestic employers do not operate PAYE/USC or deduct tax in any other way from a domestic employee's pay. [See paragraph 3 regarding PRSI]

A qualifying "**domestic employer**" is one who:

- ◆ is an **individual** (organisations, companies, clubs etc. do not qualify)
- ◆ has only **one domestic employee** who is employed solely on domestic duties in the home and
- ◆ pays **less than €40 a week** to that employee.

A "**domestic employee**" is a person e.g. an Au Pair, who is employed by a domestic employer solely on domestic duties (including the minding of children) in the employer's private dwelling house. The employee may have other employment with a different employer.

2.2 An employer who:

- ◆ pays €40 or more a week to a domestic employee, or
- ◆ has more than one domestic employee concurrently

must register as an employer and operate PAYE/PRSI/USC in the normal way.

2.3 The existing registration limits continue to apply to all other employers i.e. they must register for PAYE/PRSI purposes if they pay:

- ◆ €8 a week (€36 a month) or more, to an employee who has only one employment
- ◆ €2 a week (€9 a month) or more, to any other employee.

3. Employer PRSI

3.1 Although the domestic employer is not required to register as an employer, he/she is liable to pay employer's PRSI at the rate of 0.5% (Class J) to cover Occupational Injuries Benefit where the weekly earnings are below €38.

3.2 PRSI is payable by the employer in a single sum at the end of the tax year to Special Collection Section, Department of Social Protection, Government Buildings, Cork Road, Waterford.

A special form, '**PRSI calculation and payment at end of year**' to simplify the return and payment of PRSI is attached in the Appendix and a form to enable the domestic employer to register for the scheme with the Department of Social Protection, will be available shortly.

4. Taxation of Domestic Employee

4.1 The income from the domestic employment:

- ◆ is chargeable to income tax and universal social charge, and
- ◆ qualifies for the PAYE tax credit.

4.2 The collection of tax due, if any, will depend on the circumstances of each case. It is expected that the income of the majority of domestic employees will be less than their tax credits or under the exemption limit appropriate to them.

4.3 In the case of married persons and civil partnerships, where aggregation applies and one spouse's / civil partner's only income is from a domestic employment, any tax due should be collected by restriction of the other spouse's / civil partner's tax credits.

4.4 If the domestic employee has concurrent non-domestic employment, the tax due should be collected by way of restriction of tax credits due against the non-domestic employment.

The following material is either exempt from or not required to be published under the Freedom of Information Act 1997.

[...]

- 4.6** Where a domestic employee (or his/her spouse or civil partner where jointly assessed) claims a refund of tax, the pay from the domestic employment should be taken into account.
- 4.7** Where an individual ceases to be employed as a domestic employee and takes up other employment, the figure of pay supplied by that individual in relation to the domestic employment should be accepted for the purposes of issuing a tax credit certificate to the new (non-domestic) employer.

5. Bonus Payments

If a bonus payment increases the employee's pay to €40 or more in a particular week the domestic employer can continue within the scheme provided:

- ◆ the bonus is reasonable and in line with the normal weekly wage and
- ◆ no more than 2 bonuses are paid each year.

The question as to whether a bonus is reasonable and in line with the normal weekly wage is to be decided by the circumstances in each case where it arises.

Appendix

Domestic Employer - PRSI Calculation and Payment at End-of-Year

Domestic Employers Name _____

Address _____

Name of Employee _____

Employees PPS Number _____

Date Employee Commenced __/__/____ Date Employee Ceased __/__/____

Amount Paid in Year Ended 31 December _____

Calculate PRSI due as follows

Pay is less than €40 per week:

Pay - € _____ x 0.5% = € _____

Signature of Employer _____

Date __/__/____

Pay by cheque:

Attach a cheque to this form and send the form and cheque to-

Accountant,
Department of Social Protection,
Government Buildings,
St. Alphonsus Road,
Dundalk,
Co. Louth.

Pay by ebanking:

Make the Payment to Bank of Ireland, 2 College Green, Dublin 2

Name of account: Social Insurance Fund No 1

Sort Code: 90-00-17

Account number: 75239841

BIC: BOFIE2D IBAN: IE03 BOFI 9000 1775 2398 41

Reference: "SPC" and identify company by employer number or name,

And

Send a copy of this form to:

**PRSI Special Collection Section,
Department of Social Protection
Government Offices
Cork Road
Waterford.**